

***City Of Carson  
Carson, Iowa***

***Independent Auditors' Reports***

**Basic Financial Statements, Required Supplemental Information, Other  
Supplemental Information and Schedule of Findings**

***Year Ended June 30, 2005***

***Prepared By:***

***Lanphier, Vandenberg & Kolasinski  
A Professional Corporation  
Certified Public Accountants  
10842 John Galt Boulevard  
Omaha, Nebraska 68137***

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CITY OF CARSON

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lyndon K. Taylor	Mayor	January 1, 2006
Bruce Damgaard	Mayor-Pro Tem	January 1, 2008
Gladys Sick	Council Member	January 1, 2008
Don Hendricks	Council Member	January 1, 2006
Susan Miller	Council Member	January 1, 2006
Joseph Riddle	Council Member	January 1, 2006
Brianne Duede	City Clerk	Indefinite
Kristina Hansen	City Treasurer	Indefinite
Richard Henninger	City Attorney	Indefinite

Laurence A. Lanphier Jr.  
Steven G. Vandenberg  
Lorraine M. Kolasinski

Certified Public Accountants  
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Members  
American Institute  
of Certified Public  
Accountants

Nebraska Society of  
Certified Public  
Accountants

### Independent Auditors' Report

To The Honorable Mayor  
and Members of The City Council  
City of Carson, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Carson's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 2005, on our consideration of the City of Carson's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 26 through 27 are not required parts of the basis financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Omaha, Nebraska  
August 11, 2005

LANPHIER, VANDENBERG & KOLASINSKI, PC

<p style="text-align: center;"><b>CITY OF CARSON</b> <b>MANAGEMENT DISCUSSION AND ANALYSIS</b> <b>YEAR ENDED JUNE 30, 2005</b></p>
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As management of the City of Carson, Iowa we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's statements include three components: 1) cash basis government-wide financial statement 2) cash basis fund financial statements and 3) notes to the financial statements.

**Government-wide financial statement:** This statement consists of a Statement of Activities and Net Assets and provides information about the activities of the City as a whole and presents an overall view of the City's finances.

**Fund financial statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Analysis of significant changes in financial position and fund balances:** The cash basis of the net assets of the City's governmental activities decreased approximately \$50,780 during the fiscal year ended June 30, 2005. Compared to the prior year, the governmental fund cash basis of the net assets decreased about \$4,683, most of which was due to a decrease in actual capital project grant receipts. There was also a significant decrease of in the City's property tax levy for the fiscal year ended June 30, 2005. The levy for 2005 was 14.66, in the previous year the City's property tax levy was 15.36.

The following is the changes in the cash basis of the net assets of the City's governmental activities:

Changes in Cash Basis Net Assets of Governmental Activities		
	Year Ended June 30,	
	2005	2004
RECEIPTS		
PROGRAM RECEIPTS		
Charges for services	\$ 12,962	1,200
Operating grants, contributions and restricted interest	69,119	77,627
Capital grants, contributions and restricted interest	120,169	390,292
GENERAL RECEIPTS		
Property tax	338,038	323,080
Local option sales tax	67,753	68,278
Grants and contributions not restricted	0	0
Unrestricted interest on investments	862	1,790
Loan proceeds	255,011	150,000
Miscellaneous	27,571	33,544
TOTAL RECEIPTS	\$ 891,485	1,045,811
DISBURSEMENTS		
Public safety	\$ 116,961	260,589
Public works	51,922	71,754
Culture and recreation	32,607	37,034
Community and economic development	159,736	117,331
General government	60,152	105,770
Debt service	91,263	65,453
Capital projects	429,624	383,197
TOTAL DISBURSEMENTS	\$ 942,265	1,041,128
CHANGE IN CASH BASIS NET ASSETS	\$ (50,780)	4,683
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$ 122,197	117,514
CASH BASIS NET ASSETS END OF YEAR	\$ 71,417	122,197

The cash basis of the net assets of the City's business type activities increased approximately \$33,479 during the fiscal year ended June 30, 2005. Compared to the prior year, the business type cash basis of the net assets increased about \$52,665, most of which was due to increase utility rates. The following is the changes in the cash basis of the net assets of the City's business type activities:

Changes in Cash Basis Net Assets of Business Type Activities		
	Year Ended June 30,	
	2005	2004
RECEIPTS		
PROGRAM RECEIPTS		
Charges for services		
Water	\$ 78,392	79,586
Sewer	95,049	65,827
Garbage	45,211	43,452
GENERAL RECEIPTS		
Unrestricted interest on investments	55	26
Miscellaneous	14,787	11,074
TOTAL RECEIPTS	\$ 233,494	199,965
DISBURSEMENTS		
Water	\$ 86,036	70,679
Sewer	51,382	27,758
Garbage	62,597	48,863
TOTAL DISBURSEMENTS	\$ 200,015	147,300
CHANGE IN CASH BASIS NET ASSETS	\$ 33,479	52,665
CASH BASIS NET ASSETS BEGINNING OF YEAR	\$ 66,555	13,890
CASH BASIS NET ASSETS END OF YEAR	\$ 100,034	66,555

**Analysis between actual and budget amounts:** The most significant budget/actual difference occurred in the Community and Economic Development function, where actual tax increment financing collections and disbursements were both lower than budgeted. This is due to the fact that the original estimate for tax increment financing collections was too high and some of the tax increment financing projects were not started or completed in the fiscal year.

**Debt Administration:** At June 30, 2005, the City had approximately \$988,408 in notes and other long-term debt, compared to approximately 827,229 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2005	2004
General Obligation Notes	729,865	827,229
Revenue Capital Loan Notes	237,537	0
Lease Purchase Agreement	21,006	0
	<u>988,408</u>	<u>827,229</u>

Debt increased as a result of revenue capital loan notes for a sewer construction project. In addition, the City leased equipment to be used for City maintenance.

**Future financial statement impact:** In 2005 the City designated the Lewis/Lariviere Subdivision and the Tibbles Subdivision as two new separate urban renewal tax increment finance areas of the City. As housing and/or commercial developments grow in these subdivision the City's tax increment financing collections will grow, however the City's general fund will not see any increase due to this expansion in property tax values until the date of the urban renewal areas have sunset which will be in approximately 10 years.

**Requests for information:** Requests for additional information can be made to the Carson City Clerk, Brianne Duede, at 127 Broadway, PO Box 128, Carson, IA 51525.



**CITY OF CARSON**  
**STATEMENT OF ACTIVITIES AND NET ASSETS**  
**CASH BASIS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit A

		Program Receipts		Net (Disbursements) Receipts and Change in Cash Basis Net Assets		
		Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities
	Disbursements					Total
<b>FUNCTIONS/PROGRAMS</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
Public safety	\$	116,961	12,962	8,000	(95,999)	0
Public works		51,922		55,541	3,619	0
Culture and recreation		32,607		5,578	(27,029)	0
Community and economic development		159,736			(159,736)	0
General government		60,152			(60,152)	0
Debt service		91,263			(91,263)	0
Capital projects		429,624		120,169	(309,455)	0
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b>942,265</b>	<b>12,962</b>	<b>69,119</b>	<b>(740,015)</b>	<b>0</b>
<b>BUSINESS TYPE ACTIVITIES</b>						
Water	\$	86,036	78,392			(7,644)
Sewer		51,382	95,049			43,667
Garbage		62,597	45,211			(17,386)
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>	<b>\$</b>	<b>200,015</b>	<b>218,652</b>	<b>0</b>	<b>0</b>	<b>18,637</b>
<b>TOTAL</b>	<b>\$</b>	<b>1,142,280</b>	<b>231,614</b>	<b>69,119</b>	<b>(740,015)</b>	<b>18,637</b>
<b>GENERAL RECEIPTS</b>						
Property tax levied for						
General purposes	\$				57,317	0
Tax incremental financing					222,747	0
Debt service					57,974	0
Local option sales tax					67,753	0
Grants and contributions not restricted					0	0
Unrestricted interest on investments					862	55
Loan proceeds					255,011	0
Miscellaneous					27,571	14,787
Transfers					0	0
<b>TOTAL GENERAL RECEIPTS AND TRANSFERS</b>	<b>\$</b>				<b>689,235</b>	<b>14,842</b>
<b>CHANGE IN CASH BASIS NET ASSETS</b>	<b>\$</b>				<b>(50,780)</b>	<b>33,479</b>
<b>CASH BASIS NET ASSETS BEGINNING OF YEAR</b>	<b>\$</b>				<b>122,197</b>	<b>66,555</b>
<b>CASH BASIS NET ASSETS END OF YEAR</b>	<b>\$</b>				<b>71,417</b>	<b>100,034</b>
<b>CASH BASIS NET ASSETS</b>						
RESTRICTED						
Streets	\$				60,690	60,690
Urban renewal purposes					260,702	260,702
Debt service					0	0
Other purposes					14,720	14,720
UNRESTRICTED					(264,695)	100,034
<b>TOTAL CASH BASIS NET ASSETS</b>	<b>\$</b>				<b>71,417</b>	<b>100,034</b>

See Notes to Financial Statements

**CITY OF CARSON**  
**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED JUNE 30, 2005**

Exhibit B

		SPECIAL REVENUE			CAPITAL PROJECT		
		LOCAL	URBAN		CDBG	NONMAJOR	
	GENERAL	OPTION TAX	RENEWAL TAX INCREMENT	DEBT SERVICE	GRANT WWTP	FUNDS	TOTAL
<b>RECEIPTS</b>							
Property tax	\$ 44,991	0	0	57,974	0	12,326	115,291
Tax increment financing collections	0	0	222,747	0	0	0	222,747
Other city tax	16	67,753	0	0	0	0	67,769
Licenses and permits	2,666	0	0	0	0	0	2,666
Use of money and property	782	0	31	0	0	49	862
Intergovernmental	20,273	0	0	0	53,280	80,756	154,309
Charges for services	12,962	0	0	0	0	0	12,962
Miscellaneous	21,524	0	0	0	0	38,343	59,867
<b>TOTAL RECEIPTS</b>	<b>\$ 103,214</b>	<b>67,753</b>	<b>222,778</b>	<b>57,974</b>	<b>53,280</b>	<b>131,474</b>	<b>636,473</b>
<b>DISBURSEMENTS</b>							
Operating							
Public safety	\$ 113,548	0	0	0	0	3,413	116,961
Public works	286	0	0	0	0	51,636	51,922
Culture and recreation	32,312	0	0	0	0	295	32,607
Community and economic development	0	0	159,566	0	0	170	159,736
General government	60,152	0	0	0	0	0	60,152
Debt service	0	0	0	91,263	0	0	91,263
Capital projects	0	0	0	0	286,228	143,396	429,624
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 206,298</b>	<b>0</b>	<b>159,566</b>	<b>91,263</b>	<b>286,228</b>	<b>198,910</b>	<b>942,265</b>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ (103,084)</b>	<b>67,753</b>	<b>63,212</b>	<b>(33,289)</b>	<b>(232,948)</b>	<b>(67,436)</b>	<b>(305,792)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Loan proceeds	\$ 0	0	24,974	0	230,037	0	255,011
Operating transfers in	69,706	0	0	33,193	0	0	102,899
Operating transfers out	(33,193)	(67,753)	0	0	0	(1,953)	(102,899)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ 36,513</b>	<b>(67,753)</b>	<b>24,974</b>	<b>33,193</b>	<b>230,037</b>	<b>(1,953)</b>	<b>255,011</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>\$ (66,571)</b>	<b>0</b>	<b>88,186</b>	<b>(96)</b>	<b>(2,911)</b>	<b>(69,389)</b>	<b>(50,781)</b>
<b>CASH BALANCE BEGINNING OF YEAR</b>	<b>\$ (63,153)</b>	<b>0</b>	<b>172,516</b>	<b>96</b>	<b>(9,670)</b>	<b>22,409</b>	<b>122,198</b>
<b>CASH BALANCE END OF YEAR</b>	<b>\$ (129,724)</b>	<b>0</b>	<b>260,702</b>	<b>0</b>	<b>(12,581)</b>	<b>(46,980)</b>	<b>71,417</b>
<b>CASH BASIS FUND BALANCES</b>							
<b>RESERVED</b>							
Debt service	\$ 0	0	0	0	0	0	0
<b>UNRESERVED</b>							
General fund	(129,724)	0	0	0	0	0	(129,724)
Special revenue funds	0	0	260,702	0	0	75,410	336,112
Capital projects fund	0	0	0	0	(12,581)	(122,390)	(134,971)
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ (129,724)</b>	<b>0</b>	<b>260,702</b>	<b>0</b>	<b>(12,581)</b>	<b>(46,980)</b>	<b>71,417</b>

See Notes to Financial Statements

CITY OF CARSON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Exhibit C

	ENTERPRISE FUNDS			TOTAL
	WATER	SEWER	GARBAGE	
<b>OPERATING RECEIPTS</b>				
Use of money and property	\$ 55	0	0	55
Charges for services	78,392	95,049	45,211	218,652
Miscellaneous	0	0	0	0
<b>TOTAL OPERATING RECEIPTS</b>	<b>\$ 78,447</b>	<b>95,049</b>	<b>45,211</b>	<b>218,707</b>
<b>OPERATING DISBURSEMENTS</b>				
Public works	\$ 86,036	51,382	62,597	200,015
<b>TOTAL OPERATING DISBURSEMENTS</b>	<b>\$ 86,036</b>	<b>51,382</b>	<b>62,597</b>	<b>200,015</b>
<b>EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS</b>	<b>\$ (7,589)</b>	<b>43,667</b>	<b>(17,386)</b>	<b>18,692</b>
<b>NON OPERATING RECEIPTS</b>				
Miscellaneous	\$ 10,660	584	3,543	14,787
<b>TOTAL NON OPERATING RECEIPTS</b>	<b>\$ 10,660</b>	<b>584</b>	<b>3,543</b>	<b>14,787</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ 3,071</b>	<b>44,251</b>	<b>(13,843)</b>	<b>33,479</b>
<b>OPERATING TRANSFERS OUT</b>	<b>\$ 0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>\$ 3,071</b>	<b>44,251</b>	<b>(13,843)</b>	<b>33,479</b>
<b>CASH BALANCE BEGINNING OF YEAR</b>	<b>\$ 94,122</b>	<b>24,747</b>	<b>(52,314)</b>	<b>66,555</b>
<b>CASH BALANCE END OF YEAR</b>	<b>\$ 97,193</b>	<b>68,998</b>	<b>(66,157)</b>	<b>100,034</b>
<b>CASH BASIS FUND BALANCES</b>				
Reserved	\$ 0	0	0	0
Unreserved	97,193	68,998	(66,157)	100,034
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 97,193</b>	<b>68,998</b>	<b>(66,157)</b>	<b>100,034</b>

See Notes to Financial Statements

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 1      Summary Of Significant Accounting Policies

The City of Carson is a political subdivision of the State of Iowa located in Pottawattamie County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Carson has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board, and (1) the ability of the City to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Carson Business Club, Southwest Iowa Clerk's Association, Iowa Municipal Finance Association, Iowa League of Cities, Western Iowa Development Association, MAPA, SWIPCO, Iowa Rural Water Association, Iowa Association of Municipal Utilities, American Water Works Association, Southwest Iowa Coalition, and International Municipal Clerk's Institute.

Basis of Presentation

Government-wide Financial Statements

The Statement of Activities and Net Assets reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead of general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs that are not paid through other funds.

Special Revenue

The Local Option Tax Fund is used to account for the local option sales tax received.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects

The CDBG Grant is utilized to account for the resources used in the construction of the waste water treatment plant.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

The City reports the following major proprietary funds:

The Water Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's water system that is supported by user charges.

The Sewer Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's sewer system that is supported by user charges.

The Garbage Fund is utilized to finance and account for the acquisition, operation, and maintenance of the City's garbage service that is supported by user charges.

The City also reports the following additional non-major funds:

Special Revenue

The Road Use Tax Fund is used to account for road construction and maintenance.

The Employee Benefit Levy Fund is utilized to account for the tax levy to support the City's employee's benefits.

Capital Projects

The USDA Grant is utilized to account for the resources used in the construction of a new well field.

The Community Center Fund is utilized to account for all resources used in the acquisition and construction of a community center building.

The Lewis/Lavivere/Tibbles Subdivision Funds are utilized to account for all resources used in the construction of the infrastructure in these subdivisions.

Measurement Focus and Basis of Accounting

The City of Carson maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and the capital projects functions.

NOTE 2

Deposits and Investments:

The City's deposits at June 30, 2005, were entirely covered by federal depository insurance or by The State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The City had one certificate of deposit that was held within the State of Iowa in the City's name for \$1,000 during the current fiscal year.

NOTE 3

General Obligation Notes Payable

Annual debt service requirements to maturity for general obligation notes, revenue notes and lease purchase agreement are as follows:

Year Ended June 30,	General		Urban Renewal		Revenue Notes		Lease Purchase		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 55,000	20,928	35,000	12,463	28,000	22,500	4,884	1,020	122,884	56,910
2007	55,000	18,971	35,000	10,993	29,000	21,660	5,121	783	124,121	52,407
2008	55,000	16,968	35,000	9,453	30,000	20,790	5,370	534	125,370	47,744
2009	60,000	14,702	40,000	7,860	31,000	19,890	5,630	274	136,630	42,725
2010	60,000	12,010	40,000	5,980	31,000	18,960	0	0	131,000	36,950
2011-2015	179,865	19,425	40,000	4,040	170,000	80,250	0	0	389,865	103,715
2016-2020	0	0	40,000	2,040	200,000	52,950	0	0	240,000	54,990
2021-2025	0	0	0	0	231,000	21,240	0	0	231,000	21,240
Total	\$ 464,865	103,003	265,000	52,828	750,000	258,240	21,006	2,610	1,500,871	416,681

The Code of Iowa requires that principal and interest on general obligation notes be paid from the Debt Service Fund.

The urban renewal tax increment financing general obligation capital loan notes were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project including street improvements for the Wilbur Subdivision. The notes are payable solely from the income and proceeds of the Special Revenue Fund, Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

The proceeds of the urban renewal tax increment financing general obligation notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are a general obligation of the City; and the debt is subject to the constitutional debt limitation of the City.

The resolution providing for the issuance of the revenue notes state the City has established charges, rates and rentals for services which are and will continue to be collected as system revenues of the municipal sewer system and said revenues have not been pledged and are available for the payment of notes. The notes are entrusted to the Iowa Finance Authority and Wells Fargo Bank in a sub account representing \$750,000. Draws on the total amount will be disbursed as needed for the construction costs of the waste water treatment plant. The total amounts of draws as of June 30, 2005 were \$237,537. This amount includes the initiation fee paid to the State Administration Account of the Administration Fund.

NOTE 4      Lease Purchase Agreement

On November 17, 2004, the City entered into a lease purchase agreement with Deere Credit, Inc. The lease is a five year lease at the interest rate of 4.75% for a John Deere Utility Tractor, Loader and Mower to be used for City maintenance.

NOTE 5      Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003, were \$8,638, \$7,518, and \$6,322, respectively, equal to the required contributions for the years. Covered payrolls for the years ended June 30, 2005, 2004 and 2003 were \$150,226, \$130,739, and \$109,940, respectively and the total payrolls for the years ended June 30, 2005, 2004 and 2003 were \$155,286, \$134,237, and \$113,026, respectively.

NOTE 6      Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. As of November 12, 2001, full-time employees may elect compensatory time in lieu of overtime pay.



CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave termination, and compensatory time payments payable to employees at June 30, 2005, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 5,244.
Sick leave	4,148.
Compensatory time	<u>3,397.</u>
	\$ <u>12,789.</u>

This liability has been computed based on rates of pay as of June 30, 2005.

NOTE 7 Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City monthly.

NOTE 8 Interfund Transfers

The following operating transfers were made to move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources: \$33,193 from the General Fund to Debt Service; and \$67,753 from the Special Revenue, Local Option Tax Fund to the General Fund.

\$1,953 was transferred from the Capital Project, USDA Grant to the General Fund to close the capital project upon completion.

NOTE 9 Risk Management

The City of Carson is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10 Deficit Fund Balances

The General Fund had a deficit balance of \$129,724 at June 30, 2005. The deficit balance was a result of not receiving ambulance billing revenues during the previous fiscal year. The City has also lost significant general fund revenues in the past year due to State of Iowa budget cuts. To help reduce the deficit in the general fund balance, the City is using a new billing agency in order to collect the fees for ambulance calls that have occurred since April 2, 2003, however, a full year of collections have not yet been received. In addition, the City Clerk's and City Treasurer's salaries are now paid from the proprietary funds rather than the general fund.

The Capital Projects Fund had a deficit balance of \$134,972 at June 30, 2005. The deficit balance was a result of projects costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of grants and future financing.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 11      Iowa West Foundation Grants  
Fire Department Grants

During the fiscal year, the Carson Volunteer Fire Department received grants totaling \$8,000 from the Iowa West Foundation for miscellaneous fire equipment. The total cost of this equipment was \$12,353.

Community Center

During the fall of 2003, the City was awarded a challenge grant which shall not exceed \$200,000 or 20% of the total project cost towards the construction of a new community center building. The total estimated costs of the project are \$1,344,448. Total costs of the project at June 30, 2005 were \$72,366. The City of Carson and specific donations shall provide the balance of the funds to complete the project. The funds will be paid upon contractor's certification of completion statement certifying that 75% of the project is completed.

Park Improvement

During the spring of 2004, the City was awarded a matching grant in the amount of \$4,463 or 50% of costs for improvements to the stairs and bleacher pad at the ball field in the city park. The total costs of the project were \$8,500 and the City completed, closed the project and \$4,250, the matching portion of the grant was received in October of 2004.

Nishna Loop Signage

During the fall of 2004, the City was awarded a matching grant in the amount of \$3,571 or 50% of the costs toward the completion of the Nishna Loop community enhancement project which included lighting and landscaping of the City's sign west of town on Highway 92. The total estimated cost of the project is \$7,142. There were no disbursements made or monies received on this project during the fiscal year. The grant will expire December 15, 2005.

Park Improvement

During the fall of 2004, the City was awarded a matching grant in the amount of \$7,000 or 20% of the costs of a new scoreboard in the city park. The total costs of the project were \$6,963. The City has submitted costs for reimbursement in the amount of \$3,347 as the cost of the project was less than proposed. The monies will be received in the next fiscal year.

NOTE 12      CDBG Housing Rehabilitation Grant

In March of 2005, the City was awarded a grant in the amount of \$206,000 from the Iowa Department of Economic Development (Community Development Block Grant). The project consists of the rehabilitation of eight single family owner occupied units whose income is at or below the 50% area median income within the City. The total cost of the project is \$270,000. There were no disbursements made or monies received on this project during the fiscal year. The grant will expire April 30, 2007.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 13     CITIES (Community Improvements To Increase Economic Stability) Grant  
During June of 2005, the City was awarded a grant from the Pottawattamie County Board of Supervisors in the amount of \$150,196 or 50% of the costs of construction of water mains, a sewer lift station, sanitary sewer force mains, and storm sewer, including approximately 370 LF of water main and sanitary sewer main to be mounted on Highway 92 bridge across West Nishnabotna River. Infrastructure to be installed will connect existing water and sewer systems to the Tibbles Subdivision. The estimated total cost of the project is \$300,392. There were no disbursements made or monies received on this project during the fiscal year. A contract for this project was awarded to Pierce Pump on May 9, 2005 in the amount of \$253,892. The grant will expire October 20, 2005.

NOTE 14     Capital Project - USDA Grant/Test Wells Grant  
The City was awarded a grant in the amount of \$270,000 with a matching contribution from the City of \$50,000 from USDA Rural Development. The project consisted of expanding the existing municipal well field by conducting two to four test wells to locate a new well field and to construct a minimum of one new well, and as many as three new wells. The purpose of the project is to create a new water supply for the City to counter the affects of recent drought. The total costs of the project were \$433,228. The City completed, closed the project and the final matching portion of the grant was received in September of 2004.

NOTE 15     Capital Project - CDBG Grant/Waste Water Treatment Plant  
On May 28, 2003, the City was awarded a grant from the Iowa Department of Economic Development (Community Development Block Grant) in the amount of \$250,000 with a matching contribution from the City of \$329,000. The City has received \$147,371 of the grant as of June 30, 2005. The grant has been extended to expire on August 31, 2005.

On March 18, 2005, the City was awarded a grant from the Iowa Department of Economic Development (Community Development Block Grant) in the amount of \$300,000 with a matching contribution from the City of \$471,000. The City has received \$0 of the grant as of June 30, 2005. The grant will expire on July 31, 2006.

The total costs of the Waste Water Treatment Project through June 30, 2005 were \$389,990.

NOTE 16     Capital Projects – Lewis, Lariviere, and Tibbles Subdivisions  
On June 28, 2004, the City passed a resolution adopting the Lewis/Lariviere Urban Renewal Plan. On December 13, 2004, the City passed a resolution which amended the Lewis/Lariviere Urban Renewal Plan to include a parcel in the commercial district. The total costs of the Lewis/Lariviere Subdivision at June 30, 2005 were \$91,908.

On March 14, 2005, the City passed a resolution adopting the Tibbles Urban Renewal Plan. The total costs of the Tibbles Subdivision at June 30, 2005 were \$26,676.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

- NOTE 17     Water Tower Lease Agreement  
On March 29, 2002, the City entered in to a lease agreement with American Relay Company, LLC to lease space on the City's water tower in order to install, maintain, and operate radio communication equipment, antennas and appurtenances. The initial term shall be for five years at an annual rent of \$1,077 to be paid in through service credits for two Stratocruiser connections. This agreement shall automatically be extended for four additional five year terms each increased to \$1,200, \$1,300, \$1,400 and \$1,500 per term.
- NOTE 18     Development Agreement  
On February 12, 2003, the City entered into a development agreement with Tibbles Farms, Inc. for the annexation of certain property to be included in the City's Urban Renewal Area as a Subdivision. This agreement includes the purchase of approximately 24 acres of Wildlife Preserve Property by the City and the City agrees to extend the water main and sewer main along Highway 92 so as to serve the Subdivision and Wildlife Preserve Property.
- NOTE 19     Billing Services Agreement  
On December 16, 2004, the City entered into an agreement with the Physician's Claims Company, Inc. The Billing Service will provide medical billings for the ambulance calls for a monthly fee of 10% of the gross amount collected on the City's behalf during the preceding month or 30% of the gross amount collected on any aged accounts. The initial term of the agreement is for two years and automatically renew for successive one-year terms. Either party may terminate with 30 days notice.
- NOTE 20     Raffle House  
On April 11, 2005, the City approved a fund raiser for the Community Center that will consist of purchasing land, building a house and holding a raffle. The estimated revenue to the City is \$300,000. The City's cost of the project is estimated at \$50,000 and there will be donations of labor, materials, and subcontractors. This revenue is to be used as a match for grant monies. The raffle will be held during the Independence Day Celebration in 2006.
- NOTE 21     Contingent Liabilities  
              Sewer Revenue Bonds  
The City has entrusted the financing for the Sewer Revenue Bonds to the Iowa Finance Authority and Wells Fargo Bank. This financing is in the form of Iowa State Revolving Fund Revenue Bonds, which will after the final draw equal \$750,000. This City has made draws of \$237,537 as of June 30, 2005.
- Line of Credit  
On January 7, 2005, the City received a line of credit in the amount of \$50,000 with an interest rate of 5.00% from the Rolling Hills Bank and Trust for the purpose of financing short term debt to complete tax increment financing housing projects. The balance on the line of credit at June 30, 2005 was \$0.

CITY OF CARSON  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

NOTE 22      Subsequent Events

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract as of July 1, 2005. The contract is payable in four installments of \$2,923. on July 1, 2005, October 1, 2005, January 1, 2006, and April 1, 2006.

Line of Credit

On August 2, 2005, the City renewed the line of credit in note 21. The new maturity date is December 31, 2005 at the interest rate of 5.00%.

General Obligation Capital Loan Notes

On August 1, 2005, the City issued \$165,000 General Obligation Capital Loan Notes, Series 2005. These notes mature June 1, 2016 and the proceeds will be used as matching funds for the CITIES grant (Note 13).

CITY OF CARSON  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES  
IN BALANCES – BUDGET AND ACTUAL - CASH BASIS  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2005

	GOVERNMENTAL FUNDS ACTUAL	PROPRIETARY FUNDS ACTUAL	TOTAL	BUDGETED AMOUNTS		FINAL TO TOTAL VARIANCE
				ORIGINAL	FINAL	
<b>RECEIPTS</b>						
Property tax	\$ 115,291	0	115,291	105,394	105,394	9,897
Tax increment financing collections	222,747	0	222,747	250,000	250,000	(27,253)
Other city tax	67,769	0	67,769	77,290	77,616	(9,847)
Licenses and permits	2,666	0	2,666	1,850	2,450	216
Use of money and property	862	55	917	3,400	4,600	(3,683)
Intergovernmental	154,309	0	154,309	91,038	99,603	54,706
Charges for services	12,962	218,652	231,614	280,990	282,240	(50,626)
Miscellaneous	59,867	14,787	74,654	5,100	32,422	42,232
<b>TOTAL RECEIPTS</b>	<b>\$ 636,473</b>	<b>233,494</b>	<b>869,967</b>	<b>815,062</b>	<b>854,325</b>	<b>15,642</b>
<b>DISBURSEMENTS</b>						
Public safety	\$ 116,961	0	116,961	109,862	152,189	35,228
Public works	51,922	0	51,922	56,460	58,980	7,058
Culture and recreation	32,607	0	32,607	24,399	38,163	5,556
Community and economic development	159,736	0	159,736	249,963	247,221	87,485
General government	60,152	0	60,152	67,890	106,324	46,172
Debt service	91,263	0	91,263	57,545	57,545	(33,718)
Capital projects	429,624	0	429,624	750,000	423,992	(5,632)
Business type activities	0	200,015	200,015	261,123	237,185	37,170
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 942,265</b>	<b>200,015</b>	<b>1,142,280</b>	<b>1,577,242</b>	<b>1,321,599</b>	<b>179,319</b>
<b>EXCESS OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ (305,792)</b>	<b>33,479</b>	<b>(272,313)</b>	<b>(762,180)</b>	<b>(467,274)</b>	<b>(194,961)</b>
<b>OTHER FINANCING SOURCES, NET</b>	<b>\$ 255,011</b>	<b>0</b>	<b>255,011</b>	<b>750,000</b>	<b>655,500</b>	<b>400,489</b>
<b>EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES</b>	<b>\$ (50,781)</b>	<b>33,479</b>	<b>(17,302)</b>	<b>(12,180)</b>	<b>188,226</b>	<b>205,528</b>
<b>BALANCE BEGINNING OF YEAR</b>	<b>\$ 122,198</b>	<b>66,555</b>	<b>188,753</b>	<b>118,898</b>	<b>118,898</b>	<b>(69,855)</b>
<b>BALANCE END OF YEAR</b>	<b>\$ 71,417</b>	<b>100,034</b>	<b>171,451</b>	<b>106,718</b>	<b>307,124</b>	<b>135,673</b>

See Accompanying Independent Auditor's Report

CITY OF CARSON  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY REPORTING  
June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment decreased budgeted disbursements by \$255,643. The budget amendment is reflected in the final budget amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

CITY OF CARSON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

	SPECIAL REVENUE		CAPITAL PROJECTS				TOTAL
	ROAD USE TAX	EMPLOYEE BENEFIT LEVY	USDA GRANT	COMMUNITY CENTER	LEWIS/ LAVIVIERE SUBDIVISION	TIBBLES SUBDIVISION	
<b>RECEIPTS</b>							
Property tax	\$ 0	12,326	0	0	0	0	12,326
Other city tax	0	0	0	0	0	0	0
Use of money and property	0	0	0	49	0	0	49
Intergovernmental	55,541	0	215	25,000	0	0	80,756
Miscellaneous	0	0	2,359	35,984	0	0	38,343
<b>TOTAL RECEIPTS</b>	<b>\$ 55,541</b>	<b>12,326</b>	<b>2,574</b>	<b>61,033</b>	<b>0</b>	<b>0</b>	<b>131,474</b>
<b>DISBURSEMENTS</b>							
Public safety	\$ 0	3,413	0	0	0	0	3,413
Public works	50,571	1,065	0	0	0	0	51,636
Culture and recreation	0	295	0	0	0	0	295
Community and economic development	0	170	0	0	0	0	170
General government	0	0	0	0	0	0	0
Capital projects	0	716	81	66,076	71,151	5,372	143,396
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 50,571</b>	<b>5,659</b>	<b>81</b>	<b>66,076</b>	<b>71,151</b>	<b>5,372</b>	<b>198,910</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS</b>	<b>\$ 4,970</b>	<b>6,667</b>	<b>2,493</b>	<b>(5,043)</b>	<b>(71,151)</b>	<b>(5,372)</b>	<b>(67,436)</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>\$ 0</b>	<b>0</b>	<b>(1,953)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,953)</b>
<b>NET CHANGE IN CASH BALANCES</b>	<b>\$ 4,970</b>	<b>6,667</b>	<b>540</b>	<b>(5,043)</b>	<b>(71,151)</b>	<b>(5,372)</b>	<b>(69,389)</b>
<b>CASH BALANCE BEGINNING OF YEAR</b>	<b>\$ 55,720</b>	<b>8,053</b>	<b>(540)</b>	<b>1,238</b>	<b>(20,758)</b>	<b>(21,304)</b>	<b>22,409</b>
<b>CASH BALANCE END OF YEAR</b>	<b>\$ 60,690</b>	<b>14,720</b>	<b>0</b>	<b>(3,805)</b>	<b>(91,909)</b>	<b>(26,676)</b>	<b>(46,980)</b>
<b>CASH BASIS FUND BALANCES</b>							
Special revenue funds	\$ 60,690	14,720	0	0	0	0	75,410
Capital projects fund	0	0	0	(3,805)	(91,909)	(26,676)	(122,390)
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b>\$ 60,690</b>	<b>14,720</b>	<b>0</b>	<b>(3,805)</b>	<b>(91,909)</b>	<b>(26,676)</b>	<b>(46,980)</b>

See Accompanying Independent Auditor's Report



CITY OF CARSON  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 2

OBLIGATION	DATE OF ISSUE	INTEREST RATES	AMOUNT ORIGINALLY ISSUED	BALANCE BEG OF YEAR	ISSUED DURING YEAR	REDEEMED DURING YEAR	BALANCE END OF YEAR	INTEREST PAID	INTEREST DUE AND UNPAID
<b>GENERAL OBLIGATION NOTES</b>									
WATER	Feb 1, 1998	4.10% to 5.25%	\$ 380,000	260,000	0	25,000	235,000	12,940	0
WILBUR/TIF SUBDIVISION	Nov 1, 2001	3.50% to 5.10%	\$ 355,000	295,000	0	30,000	265,000	13,663	0
AMBULANCE	Sept 1, 2002	3.00% to 4.80%	\$ 140,000	130,000	0	10,000	120,000	5,498	0
FIRE TRUCK	Nov 10, 2003	3.25% to 6.50%	\$ 150,000	142,229	0	32,364	109,865	2,354	0
<b>REVENUE CAPITAL LOAN NOTES</b>									
SEWER	Sept 29, 2004	3.00%	\$ 750,000	0	237,537	0	237,537	5,084	0
<b>LEASE PURCHASE AGREEMENT</b>									
TRACTOR, LOADER & MOWER	Nov 17, 2004	4.75%	\$ 26,910	0	26,910	5,904	21,006	0	0
<b>LINE OF CREDIT</b>									
TIF HOUSING LOAN	Jan 7, 2005	5.00%	\$ 50,000	0	25,035	25,035	0	605	0
				827,229	289,482	128,303	988,408	40,144	0

See Accompanying Independent Auditor's Report

CITY OF CARSON  
BOND AND NOTE MATURITIES  
JUNE 30, 2005

Schedule 3

GENERAL OBLIGATION NOTES						
YEAR END JUNE 30	WATER Issued Feb 1, 1998 Callable June 1, 2007		URBAN RENEWAL Issued Nov 1, 2001 Callable June 1, 2009		AMBULANCE Issued Sept 1, 2002 Callable June 1, 2010	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2006	4.70%	25,000	4.20%	35,000	3.60%	15,000
2007	4.75%	25,000	4.40%	35,000	3.90%	15,000
2008	4.85%	25,000	4.55%	35,000	4.10%	15,000
2009	4.95%	30,000	4.70%	40,000	4.30%	15,000
2010	5.05%	30,000	4.85%	40,000	4.45%	15,000
2011	5.15%	30,000	5.00%	40,000	4.60%	15,000
2012	5.20%	35,000	5.10%	40,000	4.70%	15,000
2013	5.25%	35,000			4.80%	15,000
<b>TOTAL</b>		<b>\$ 235,000</b>		<b>\$ 265,000</b>		<b>\$ 120,000</b>
GENERAL OBLIGATION NOTES						
YEAR END JUNE 30	FIRE TRUCK Issued Nov 10, 2003 Callable June 1, 2011		SEWER Issued Sept 29, 2004 Callable June 1, 2015		JOHN DEERE Equipment Lease Issued Nov 10, 2004	
	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT	INTEREST RATE	AMOUNT
2006	4.15%	15,000	3.00%	28,000	4.75%	4,884
2007	4.75%	15,000	3.00%	29,000	4.75%	5,121
2008	5.15%	15,000	3.00%	30,000	4.75%	5,370
2009	5.55%	15,000	3.00%	31,000	4.75%	5,630
2010	5.90%	15,000	3.00%	31,000		
2011	6.10%	15,000	3.00%	32,000		
2012	6.25%	15,000	3.00%	33,000		
2013	6.50%	4,865	3.00%	34,000		
2014			3.00%	35,000		
2015			3.00%	36,000		
2016			3.00%	38,000		
2017			3.00%	39,000		
2018			3.00%	40,000		
2019			3.00%	41,000		
2020			3.00%	42,000		
2021			3.00%	43,000		
2022			3.00%	45,000		
2023			3.00%	46,000		
2024			3.00%	48,000		
2025			3.00%	49,000		
<b>TOTAL</b>		<b>\$ 109,865</b>		<b>\$ 750,000</b>	<b>\$ 21,005</b>	<b>\$ 1,500,870</b>

See Accompanying Independent Auditor's Report

CITY OF CARSON  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST THREE YEARS

Schedule 4

		<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>RECEIPTS</b>				
Property tax	\$	115,291	127,556	122,576
Tax increment financing collections		222,747	195,524	166,400
Other city tax		67,769	68,343	64,840
Licenses and permits		2,666	1,816	1,845
Use of money and property		862	1,789	4,213
Intergovernmental		154,309	437,476	71,697
Charges for services		12,962	1,200	2,400
Miscellaneous		59,867	62,107	33,117
<b>TOTAL RECEIPTS</b>	<b>\$</b>	<b>636,473</b>	<b>895,811</b>	<b>467,088</b>
<b>DISBURSEMENTS</b>				
Operating				
Public safety	\$	116,961	260,589	245,720
Public works		51,922	71,754	134,547
Culture and recreation		32,607	37,034	75,180
Community and economic development		159,736	117,331	46,138
General government		60,152	105,770	110,202
Debt service		91,263	65,453	50,516
Capital projects		429,624	383,197	123,786
<b>TOTAL DISBURSEMENTS</b>	<b>\$</b>	<b>942,265</b>	<b>1,041,128</b>	<b>786,089</b>

See Accompanying Independent Auditor's Report

Laurence A. Lanphier Jr.  
Steven G. Vandenberg  
Lorraine M. Kolasinski

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Accountants

Independent Auditors' Report on Internal Control over Financial Reporting and  
on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To The Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carson, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 11, 2005. Our report expresses an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Carson's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Carson's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carson's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior statutory comments have been resolved.

This report, a public record by law, is intended solely for the information of and use of the officials, employees and citizens of the City of Carson and other parties to whom the City of Carson may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

August 11, 2005

LANPHIER, VANDENBERG & KOLASINSKI, PC

CITY OF CARSON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2005

**Part I: Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

**II-A-05    Segregation of Duties**

One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that significantly all transactions and reports, cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation:

We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response

We are continuing to implement procedures to maximize control.

Conclusion

Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports. The City Treasurer is utilized to review accounts payable, accounts receivable and payroll functions on a weekly basis.

This was a prior year reportable condition.

CITY OF CARSON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2005

**Part III: Other Findings Related to Statutory Reporting**

III-A-05    Official Depositories

A resolution naming official depositories and maximum deposit amounts has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

III-B-05    Certified Budget

Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in sufficient amounts in accordance with Chapter 384-18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

We will review all disbursements periodically and the budget will be amended, if applicable.

Conclusion

Response accepted.

III-C-05    Questionable Disbursements

No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-05    Travel Expense

No disbursements of City money for travel expenses of spouses of City Officials or employees were noted.

III-E-05    Business Transactions

No disbursements of business transactions between the City and City officials or employees were noted.

III-F-05    Bond Coverage

Surety bond coverage of City Officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-05    Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF CARSON  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2005

III-H-05    Deposits and Investments

The City has adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

III-I-05    Financial Condition

The General Fund, Garbage Fund and the Capital Projects Fund have deficit balances at June 30, 2005 of \$129,724, \$66,157, and \$134,971, respectively.

Recommendation

The City should investigate alternatives to eliminate this deficit in order to return these fund balances to a sound financial position.

Response

We are aware of the General Fund deficit and are working to reverse. Future tax increment financing adjustments should correct decrease in general property taxes. We are considering alternatives to reverse the Garbage Fund deficit. We will be receiving additional grant money on the CDBG Grant Capital Project and the Lewis, Laviviere and Tibbles Subdivisions Capital Projects are initial expenses for future urban renewal areas.

Conclusion

Response accepted.